

EXHIBIT

INTRODUCTION

Robin P. Arkley II and Cherie P. Arkley¹ are individuals residing in Eureka, California. Race Investments, LLC is a real estate management business in which Robin P. Arkley II and Cherie P. Arkley have ownership interests. Security National Servicing Corporation is the operational affiliate of Security National Holding Company, LLC, which is a privately-held company specializing in loan acquisitions and real estate development. Robin P. Arkley II is the President and Chief Executive Officer of Security National Holding Company, LLC. Race Investments, LLC, and Security National Servicing Corporation are based in Eureka, California.

In calendar years 2002, 2004, and 2005, the combination of Race Investments, LLC, Robin P. Arkley II and Cherie P. Arkley (collectively, “Respondent Committee”), made contributions to or at the behest of candidates or committees that totaled \$10,000 or more. As a result, they jointly qualified as a single “major donor committee” under the Political Reform Act² (the “Act”), for each of those years. In March 2005, when Respondent Committee’s affiliate Security National Servicing Corporation made a contribution that totaled \$10,000 or more to a committee, it became an additional entity that comprised part of Respondent Committee.

As a major donor committee, Respondent Committee was required to comply with specified campaign reporting requirements of the Act. In addition, because Respondent Committee’s contributions exceeded \$50,000 in calendar years 2002, 2004, and 2005, it had the obligation in each of those years to file all semi-annual campaign statements commonly known as “major donor statements” in paper form and online or electronically with the Secretary of State.

In addition, as a major donor committee, Respondent Committee was required to file a late contribution report disclosing its late contributions of \$1,000 or more within 24 hours of making them.

For the purposes of this stipulation, Respondent Committee’s violations are stated as follows:

¹ Ms. Arkley could be considered a separate contributor not affiliated with her husband Robin P. Arkley II or Security National Servicing Corporation, having her own independent filing obligations. Though not required, the Arkleys chose to file a consolidated report identifying Ms. Arkley as an affiliate contributor and thereby giving public notice of the Arkleys’ relationship and combined contributions.

² The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

- COUNT 1: Respondent Committee failed to disclose a late contribution to “Friends of Paul Gallegos” totaling \$12,000 on a properly filed late contribution report, by the February 17, 2004, due date, in violation of section 84203, subdivisions (a) and (b).
- COUNT 2: Respondent Committee failed to file a paper semi-annual campaign statement by the August 2, 2004, due date, for the reporting period of January 1, 2004, through June 30, 2004, in violation of section 84200, subdivision (b).
- COUNT 3: Respondent Committee failed to file an online or electronic semi-annual campaign statement by the August 2, 2004, due date, for the reporting period of January 1, 2004, through June 30, 2004, in violation of section 84605, subdivision (a).
- COUNT 4: Respondent Committee failed to file a paper semi-annual campaign statement by the January 31, 2005, due date, for the reporting period of July 1, 2004, through December 31, 2004, in violation of section 84200, subdivision (b).
- COUNT 5: Respondent Committee failed to file an online or electronic semi-annual campaign statement by the January 31, 2005, due date, for the reporting period of July 1, 2004, through December 31, 2004 in violation of section 84605, subdivision (a).
- COUNT 6: Respondent Committee failed to file a paper semi-annual campaign statement by the August 2, 2005, due date, for the reporting period of January 1, 2005, through June 30, 2005 in violation of section 84200, subdivision (b).
- COUNT 7: Respondent Committee failed to file an online or electronic semi-annual campaign statement by the August 2, 2005, due date, for the reporting period of January 1, 2005, through June 30, 2005, in violation of section 84605, subdivision (a).
- COUNT 8: Respondent Committee failed to disclose Security National Servicing Corporation as an affiliated entity that made a contribution totaling \$250,000, during the reporting period of January 1, 2005, through June 30, 2005, in its semi-annual campaign statement filed on January 17, 2006, in violation of section 84211, subdivisions (k) and (t) and regulation 18428, subdivision (b).
- COUNT 9: Respondent Committee failed to disclose two contributions totaling \$65,000, made during the reporting period of July 1, 2005, through December 31, 2005, in its semi-annual campaign statement filed on January 17, 2006, in violation of section 84211, subdivision (k).

COUNT 10: Respondent Committee failed to file a paper semi-annual campaign statement by the January 31, 2006, due date, for the reporting period of July 1, 2005, through December 31, 2005, in violation of section 84200, subdivision (b).

COUNT 11: Respondent Committee failed to disclose a late contribution to “McClintock for Lt. Governor” totaling \$5,000 and a late contribution to “Stop the Reiner Initiative, No on #82” totaling \$100,000, on a properly filed late contribution report, by the May 27, 2006, due date, in violation of section 84203, subdivisions (a) and (b).

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

Section 82013, subdivision (c) includes within the definition of “committee” any person or combination of persons who directly or indirectly makes contributions, including loans, totaling ten thousand dollars (\$10,000) or more in calendar year to, or at the behest of, candidates or committees. This type of committee is commonly referred to as a “major donor” committee.

Duty to File Semi-Annual Campaign Statements and Disclose Contributions

Section 84200, subdivision (b) requires a major donor committee to file a semi-annual campaign statement for any reporting period in which the committee made campaign contributions. The first semi-annual statement covers the reporting period from January 1 through June 30, and must be filed by July 31. The second semi-annual campaign statement covers the reporting period from July 1 through December 31, and must be filed by January 31 of the following year.

Section 84211, subdivision (k) requires that for each person to whom a contribution of one hundred dollars (\$100) or more has been made during the period covered by the campaign statement, the statement contain the full name and address of the candidate or committee receiving the contribution and the date and amount of the contribution.

Duty to Identify Affiliated Persons and Entities as Comprising Part of the Major Donor Committee

When a semi-annual campaign statement is filed by a major donor committee, the statement must include information sufficient to identify the nature and interests of the

individuals and entities who, in combination, comprise the committee. (Section 84211, subd. (t).) Affiliated entities that do not receive contributions, such as major donor committees, must file one campaign statement reflecting their combined activities. (Regulation 18428, subd. (b).) The campaign statement must be filed in the name of the person who directs and controls the expenditures of the affiliate or affiliates, with an indication that the campaign statement includes the activity of these entities. The campaign statements must indicate which entity made each itemized payment. The filer must identify on its next campaign statement the addition or deletion of any entity, other than a committee pursuant to section 82013, subdivision (a), with which it becomes affiliated or with which it ceases to be affiliated.

Duty to File Late Contribution Reports

Under section 84203, subdivisions(a) and d(b), when a committee makes or receives a late contribution, the committee must disclose the contribution in a late contribution report that must be filed within 24 hours of making or receiving the contribution. Section 82036 defines a “late contribution” as a contribution aggregating \$1,000 or more that is received before an election, but after the closing date of the last pre-election statement.

Section 84203, subdivision (b) requires that a late contribution shall be reported on a subsequent semi-annual campaign statement.

Duty to File Online or Electronically

Section 84605, subdivision (a) requires that a “major donor” committee, as defined in subdivision (c) of section 82013, shall file semi-annual campaign statements online or electronically if it makes contributions of fifty thousand dollars (\$50,000) or more in a calendar year. Under section 84605, subdivision (g), once a person or entity is required to file online or electronically, it must file all subsequent campaign statements online or electronically. However because a major donor committee qualifies and terminates as a committee in each calendar year by operation of law, it is only required to file electronically in any calendar year in which it makes contributions of fifty thousand dollars (\$50,000) or more. (Section 82013, subd. (c), reg. 18404, subd. (a).)

Section 82046, subdivision (b) specifies that the “period covered” by a campaign statement shall begin with the day after the closing date for the last statement filed. If a person had not previously filed a campaign statement, the period covered begins on January 1.

SUMMARY OF THE FACTS

In calendar years 2002, 2004, and 2005, the combined contributions of Race Investments, LLC, Robin P. Arkley II and Cherie P. Arkley, to or at the behest of candidates or committees, totaled \$10,000 or more. As a result, they jointly qualified as a single “major donor committee” and were required to comply with specified campaign

reporting requirements. Under regulation 18428, subdivision (b), because they were affiliated individuals and an entity that comprised a single major donor committee, they were required to file one campaign statement reflecting their combined activities. The campaign statement was required to identify each of them as a “filer” and to identify the contributions made by each of them. The campaign statement was also required to identify as additional filers any individuals or other entities directed or controlled by Race Investments, LLC, Robin P. Arkley, or Cherie P. Arkley that made contributions comprising all or a portion of the \$10,000 “major donor” contribution threshold.

On or about March 2, 2005, when Security National Servicing Corporation made a contribution that totaled \$10,000 or more to a committee, it became an additional entity that comprised part of Respondent Committee. As a result, its contributions were required to be disclosed in subsequent semi-annual campaign statements.

The Enforcement Division initially reviewed Respondent Committee’s campaign filings as part of the Enforcement Division’s Streamlined Late Contribution Program and Streamlined Major Donor Enforcement Program, but it was removed from the program due to the large amount of unreported contributions.

COUNTS 1 and 11
(Duty to File and Timely File a Late Contribution Report)

Under section 84203, subdivisions (a) and (b), Respondent Committee was required to file a late contribution report disclosing, within 24 hours of making it, any contribution cumulating \$1,000 more during the late contribution reporting period. Respondent Committee failed to timely disclose one late contribution in a properly filed late contribution report.

The late contribution reporting period for the March 2, 2004, election was February 15, 2004, through March 1, 2004. On February 16, 2004, during the late contribution reporting period, Respondent Committee made a \$12,000 contribution to “Friends of Paul Gallegos,” but failed to file a late contribution report within 24 hours of making the contribution.

The late contribution reporting period for the June 6, 2006, election was May 21, 2006, through June 5, 2006. On May 26, 2006, during the late contribution reporting period, Respondent Committee made a contribution to “McClintock for Lt. Governor” totaling \$5,000 and a contribution to “Stop the Reiner Initiative, No on #82” totaling \$100,000,

By failing to properly disclose three late contributions in two properly filed late contribution reports, as set forth above, Respondent Committee committed two violations of section 84203, subdivisions (a) and (b).

COUNTS 2 – 7, 10
(Duty to Timely File Semi-Annual Campaign Statements)

Having qualified as a major donor committee, Respondent Committee had a duty, under section 84200, subdivision (b), to file paper semi-annual campaign statements for the reporting periods of January 1, 2004, through June 30, 2004, July 1, 2004, through December 31, 2004, and January 1, 2005, through June 30, 2005, disclosing all contributions made during those reporting periods. Under section 84605, subdivision (a), Respondent Committee had the additional duty to file corresponding online or electronic campaign statements for each calendar year in which it made contributions of \$50,000 or more. Respondent Committee neglected this duty by failing to timely file three paper semi-annual campaign statements and two electronic semi-annual campaign statements during calendar years 2004 and 2005.

More particularly, for the reporting period of January 1, 2004, through June 30, 2004, Respondent Committee was required to file the required paper or electronic campaign statements by July 31, 2004. However, Respondent Committee did not file an electronic campaign statement until January 17, 2006, disclosing the \$140,200 in contributions made during the reporting period. Respondent Committee did not file the required paper campaign statement. The contributions made during the reporting period are shown below.

Date of Contribution	Candidate or Committee	Amount
1/22/2004	Friends of Paul Gallegos	\$ 5,000
2/16/2004	Friends of Paul Gallegos	\$ 12,000
3/15/2004	Republican Party Central Committee of Los Angeles County	\$ 50,000
5/11/2004	McClintock for Senate	\$ 2,000
5/11/2004	Simon for Treasurer	\$ 10,600
5/11/2004	Simon for Treasurer	\$ 10,600
5/11/2004	Republican Party Central Committee of Los Angeles County	\$ 50,000
		<u>TOTAL: \$140,200</u>

For the reporting period of July 1, 2004, through December 31, 2004, Respondent Committee was required to file the required paper or electronic campaign statements by January 31, 2005. However, Respondent Committee did not file an electronic campaign statement until January 17, 2006, disclosing \$350,000 in contributions made during the reporting period. Respondent Committee did not file the required paper campaign statement. The contributions made during the reporting period are shown in the following table.

Date of Contribution	Candidate or Committee	Amount
9/24/2004	California Republican Party	\$ 80,000
10/4/2004	Humboldt Taxpayers League	\$ 5,000
10/4/2004	Podesto for Senate	\$ 5,000
10/6/2004	Governor Schwarzenegger's California Recovery Team	\$ 250,000
10/26/2004	Yes on 1A	\$ 5,000
10/28/2004	Humboldt Taxpayers League	\$ 5,000
		<u>TOTAL: \$350,000</u>

For the reporting period of January 1, 2005, through June 30, 2005, Respondent Committee was required to file the required campaign statements by July 31, 2005. However, Respondent Committee did not file an electronic campaign statement until January 17, 2006, disclosing a \$100,000 contribution made during the reporting period. On May 26, 2006, Respondent Committee filed an amended electronic campaign statement disclosing an additional contribution to "Citizens to Save California, a Coalition of Business & Tax Organizations to Reform Ca. Govt. and Politics, Yes on 74 and 76" totaling \$250,000 that was made by affiliated entity Security National Servicing Corporation. Respondent Committee did not file the required paper campaign statement. The undisclosed contributions made during the reporting period are shown below.

Date of Contribution	Candidate or Committee	Amount
3/11/2005	Citizens to Save California, a Coalition of Business and Tax Organizations to Reform California Government and Politics, Yes on 74 and 76	\$ 250,000
3/30/2005	Coalition for Employee Rights, Yes on Proposition 75	\$ 100,000
		<u>TOTAL: \$350,000</u>

Finally, although Respondent Committee timely filed an online or electronic campaign statement for the reporting period of July 1, 2005, through December 31, 2005, disclosing \$602,001 in contributions, Respondent Committee did not satisfy the additional obligation to file a paper campaign statement for that same period.

By failing to timely file required paper semi-annual campaign statements, as set forth above, Respondent Committee committed four violations of sections 84200, subdivision (b). By failing to timely file required online or electronic semi-annual campaign statements, as set forth above, Respondent Committee committed three violations of section 84605, subdivision (a).

COUNT 8
**(Duty to Disclose Additional Filer and
Contributions Made by the Additional Filer on Semi-Annual
Campaign Statements)**

Under section 82013, subdivision (c), a major donor committee means any person or combination of persons who directly or indirectly makes contributions totaling ten thousand dollars (\$10,000) or more in a calendar year to or at the behest of candidates or committees. When a campaign statement is filed by a major donor committee, the statement must include information sufficient to identify the nature and interests of the individuals and entities who, individually or in combination, comprise the committee. (Section 84211, subd. (t).)

Affiliated entities that do not receive contributions, such as major donor committees, shall file one campaign statement reflecting their combined activities. (Regulation 18428, subd. (b).) The campaign statement shall be filed in the name of the person who directs and controls the expenditures of the affiliate or affiliates, with an indication that the campaign statement included the activity of these entities. The campaign statements must indicate which entity made each itemized payment. The filer shall identify on its next campaign statement the addition or deletion of any entity with which it becomes affiliated or with which it ceases to be affiliated.

Section 84200, subdivision (b) requires a major donor committee to file a semi-annual campaign statement for any reporting period in which the committee made campaign contributions. For each person to whom a contribution of \$100 or more has been made during the period covered by the campaign statement, the campaign statement must disclose the name and address of the recipient and the amount of the contribution. (Section 84211, subd. (k).)

Because Robin P. Arkley II is, and at relevant times was, the President and Chief Executive Officer of the parent company to Security National Servicing Corporation with authority to control and direct Security National Servicing Corporation's expenditures, Security National Servicing Corporation is and was an affiliated Respondent Committee. As a result, Respondent Committee had a duty to disclose Security National Servicing Corporation as an additional entity that comprised a part of the major donor committee and to disclose a contribution made on or about March 2, 2005, that totaled \$250,000, to "Citizens to Save California, a Coalition of Business & Tax Organizations to Reform Ca. Govt. and Politics."

Respondent Committee failed to make this disclosure in the semi-annual campaign statement it filed on January 17, 2006, for the reporting period of January 1, 2005, through June 30, 2005. It was not until May 26, 2006, when Respondent Committee filed an amendment to the semi-annual campaign statement that it disclosed Security National Servicing Corporation as an additional filer and its contribution totaling \$250,000 that was made on or about March 2, 2005.

By failing to timely disclose Security National Servicing Corporation as an additional entity that comprised part of Respondent Committee and that made a contribution that totaled \$250,000, during the reporting period of January 1, 2005 through June 30, 2005, Respondent Committee committed one violation of section 84211, subdivisions (k) and (t) and regulation 18428, subdivision (b).

COUNT 9

(Duty to Disclose Contributions on Semi-Annual Campaign Statements)

Section 84200, subdivision (b) requires a major donor committee to file a semi-annual campaign statement for any reporting period in which the committee made campaign contributions. For each person to whom a contribution of \$100 or more has been made during the period covered by the campaign statement, the campaign statement must disclose the name and address of the recipient and the amount of the contribution. (Section 84211, subd. (k).)

On or about January 17, 2006, Respondent Committee filed in paper format a semi-annual campaign statement for the reporting period of July 1, 2005, through December 31, 2005. In that campaign statement, Respondent Committee failed to disclose two contributions totaling \$65,000, made during the reporting period of July 1, 2005, through December 31, 2005. The following table identifies the contributions that were not disclosed.

Date of Contribution	Candidate or Committee	Amount
11/2/2005	California Republican Party	\$ 25,000
11/4/2005	California Parents' Rights Coalition – Yes on 73	\$ 40,000
		<u>TOTAL: \$65,000</u>

By failing to disclose two contributions made during the reporting period of July 1, 2005, through December 31, 2005, Respondent Committee committed one violation of section 84211, subdivision (k).

CONCLUSION

This matter consists of eleven counts, which carry a maximum possible administrative penalty of Fifty Five Thousand Dollars (\$55,000).

This matter involves campaign reporting violations. The public harm inherent in these types of violations, where pertinent information is not disclosed before an election, is that the public is deprived of important information such as the sources and amounts of contributions to a campaign and the amounts expended by the campaign. With late contribution reports, the interest in disclosure is heightened because large eleventh hour contributions may affect the outcome of an election.

The administrative penalty imposed for contribution reporting violations resolved outside of the Streamlined programs has historically been determined on a case-by-case basis, and has varied depending on the mix of aggravating and mitigating circumstances. In this matter, in aggravation, there was a previous enforcement action against Respondent Committee in 2002, regarding a late contribution report. Also, the violations in this matter involve large contributions that were not timely disclosed.

However, Respondent Committee's violations are mitigated by the fact that it voluntarily filed the three electronic semi-annual campaign statements without any prior contacts from the Enforcement Division and, once contacted by the Enforcement Division, Respondent Committee made necessary amendments to previously filed semi-annual campaign statements. Prior to voluntarily filing the campaign statements identified herein, Respondent Committee engaged a professional campaign treasurer and counsel and initiated a proactive compliance program for the future. There is no evidence that the failure to timely file the campaign statements was intentional or deliberate. In addition, Respondent Committee cooperated fully with the Enforcement Division's investigation in this matter.

Notwithstanding the mitigation factors, under the facts presented a penalty higher than that which would have been imposed under the streamlined programs is appropriate.

The facts of the case and the relatively large amount of unreported late contributions justify imposition of the agreed upon penalty of \$38,500.